

Fiscal TOPICS

September 2017



FY 2017 State Gaming Revenues

Background. State gaming revenues include State wagering taxes as well as various license and regulatory fees that are remitted to the State. This report does not include wagering taxes that are paid directly to cities and counties.

Revenue collections from Iowa's 18 gaming establishments totaled \$323.6 million in FY 2017, an increase of \$0.6 million (0.2%) compared to revenue collections in FY 2016. The biggest share of the gaming revenues comes from the State wagering taxes imposed on casino table games and slot machines. The overall growth was driven by an increase in the State wagering tax, which experienced growth of \$2.0 million (0.7%) in FY 2017 compared to the previous year. The increase in wagering taxes corresponds to an overall increase in admissions of 265,000 (1.2%) recorded in FY 2017, as well as a 1.1% increase (\$15.8 million) in total adjusted gross receipts (AGR).

A portion of the AGR associated with promotional play purposes became exempt from the State wagering tax beginning in FY 2017. Of the \$1.453 billion in total AGR in FY 2017, \$6.6 million (0.5%) was exempt from taxation. The promotional play law change is explained in greater detail below.

State Revenue from Iowa Casinos

(Dollars in Millions)

	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	Dollar Change	Percent Change
Wagering Taxes	\$ 290.5	\$ 282.5	\$ 287.8	\$ 297.8	\$ 299.8	\$ 2.0	0.7%
Other Receipts							
Enforcement and Regulatory Fees							
Public Safety - DCI	12.0	9.7	10.8	10.3	8.9	-1.3	-13.1%
Racing and Gaming Commission	6.1	6.1	6.1	6.1	6.2	0.1	1.5%
Parimutuel Receipts	3.8	3.8	3.7	3.5	3.4	-0.1	-2.9%
New Facility License Fees	5.0	6.0	5.0	5.0	5.0	0.0	0.0%
Other	0.4	0.4	0.5	0.4	0.3	-0.1	-25.0%
Subtotal Other Receipts	27.3	26.1	26.1	25.3	23.8	-1.5	-5.8%
Total	\$ 317.8	\$ 308.6	\$ 313.9	\$ 323.1	\$ 323.6	\$ 0.6	0.2%

Numbers may not equal totals due to rounding.

More Information

Iowa General Assembly: <https://www.legis.iowa.gov/>

Iowa Racing and Gaming Commission: <https://irgc.iowa.gov/>

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Promotional Play Law Change. [House File 2445](#) (Promotional Play Act) enacted on April 21, 2016, established a limit on the State wagering tax collected on AGR for redeemed promotional play credits at Iowa casinos by amending the method of calculating the wagering tax on gambling receipts. According to the Act, "adjusted gross receipts" are now defined as gross receipts less winnings paid to wagerers, not including promotional play receipts received after the date in any fiscal year that the Iowa Racing and Gaming Commission (IRGC) determines that the wagering tax on promotional play receipts exceeds \$25.8 million. The Act became effective in FY 2017.

Historically, redeemed promotional play receipts account for approximately 7.9% of total AGR. This is based on a five-year average for the period of FY 2011 to FY 2015. The wagering tax limit of \$25.8 million is based on the 7.9% average. For FY 2017, the IRGC reported that an aggregate amount of \$6.6 million of promotional play AGR was collected after the taxation cap of \$25.8 million had been reached.

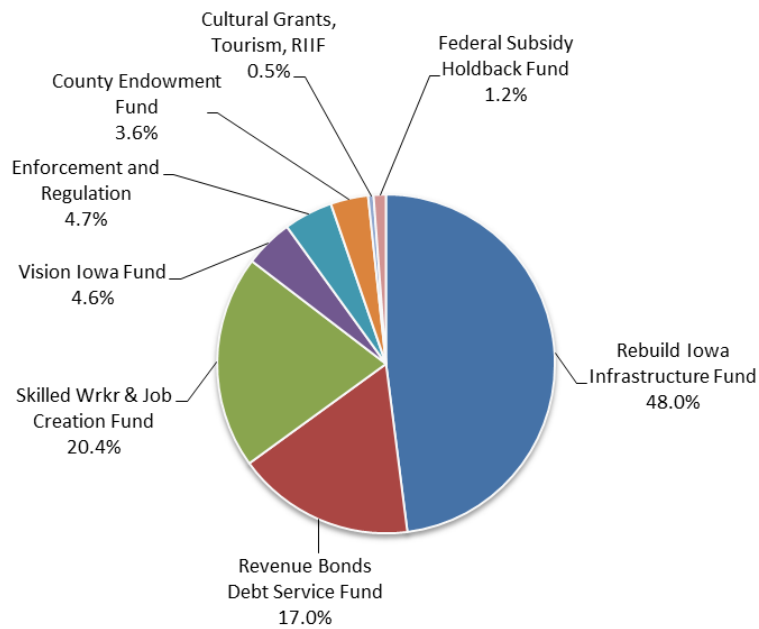
Other Revenue. All other revenues remitted to the State by the gaming industry experienced a net decrease of \$1.5 million (5.8%). Of the other revenue sources, reimbursements to the Department of Public Safety for enforcement-related costs totaled \$8.9 million, a decrease of \$1.3 million (13.1%) compared to the amount collected in FY 2016. The reduction is related to a requirement enacted during the 2013 Legislative Session that reorganized the Gaming Operations Bureau within the Division of Criminal Investigation. The reorganization, which downsized the Bureau, was phased in over several fiscal years. The reorganization was fully implemented in FY 2017.

Revenue Distribution and Allocation. The majority of the gaming revenues collected by the State are distributed in a specified order to individual funds in accordance with Iowa Code section [8.57\(5\)](#). These revenues include the wagering taxes collected on gambling games and horse and dog racing, as well as certain license fees. Of the total \$323.6 million in revenue collected in FY 2017, \$295.0 million was allocated according to Iowa Code section [8.57\(5\)](#). The General Assembly and Governor periodically alter this distribution of gaming revenue based on spending priorities as part of the annual budget process. The following table shows the distribution of the \$295.0 million to the various funds and the order that the funds are distributed according to statute. The remaining \$28.7 million collected in FY 2017 includes fees for enforcement and regulatory costs, the County Endowment Fund, and a tax for funding cultural grants and tourism. An explanation of the individual funds and accounts is provided at the end of this report.

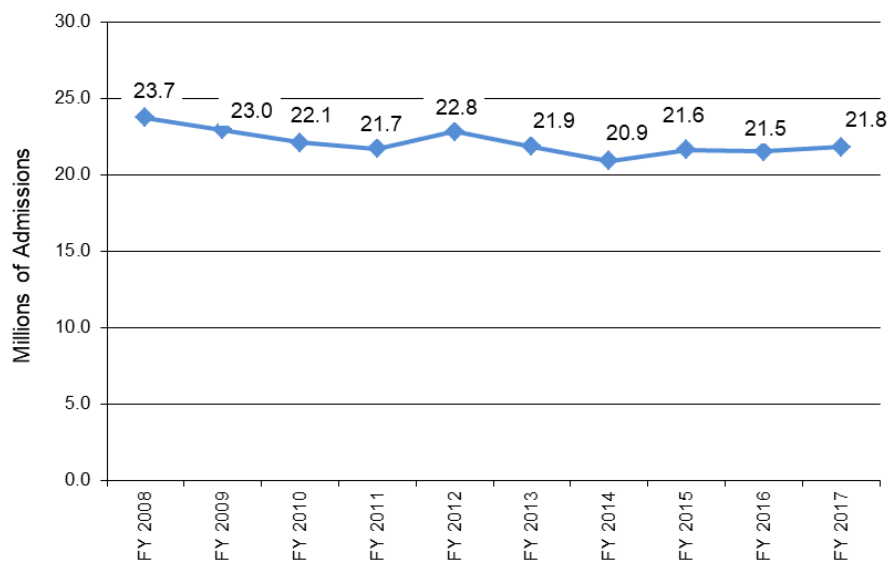
Distribution of State Gaming Revenue							
(Dollars in Millions)							
	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>Dollar Change</u>	<u>Percent Change</u>
<u>Distribution of Revenue in accordance with 8.57(5)</u>							
Revenue Bonds Debt Service Fund	\$ 55.0	\$ 55.0	\$ 55.0	\$ 55.0	\$ 55.0	\$ 0.0	0.0%
Federal Subsidy Holdback Fund	3.8	3.8	3.8	3.8	3.8	0.0	0.0%
General Fund	40.0	0.0	0.0	0.0	0.0	0.0	-
Vision Iowa Fund	15.0	15.0	15.0	15.0	15.0	0.0	0.0%
School Infrastructure Fund	5.0	5.0	0.0	0.0	0.0	0.0	-
Iowa Skilled Worker and Job Creation Fund	0.0	66.0	66.0	66.0	66.0	0.0	0.0%
Technology Reinvestment Fund	20.0	0.0	0.0	0.0	0.0	0.0	-
Rebuild Iowa Infrastructure Fund	146.9	135.3	144.3	153.5	155.2	1.7	1.1%
Subtotal	<u>285.7</u>	<u>280.1</u>	<u>284.0</u>	<u>293.3</u>	<u>295.0</u>	<u>1.7</u>	<u>0.6%</u>
<u>Other Revenues</u>							
Gaming Regulatory Revolving Fund	12.0	9.7	10.8	10.3	8.9	-1.3	-12.5%
Gaming Enforcement Revolving Fund	6.1	6.1	6.1	6.1	6.2	0.1	1.5%
County Endowment Fund	11.1	10.8	11.0	11.5	11.6	0.1	0.6%
Cultural Grants, Tourism, RIF	2.8	1.6	1.6	1.7	1.7	0.0	0.5%
General Fund - Other	0.2	0.2	0.3	0.3	0.3	0.0	3.8%
Subtotal	<u>32.2</u>	<u>28.5</u>	<u>29.9</u>	<u>29.8</u>	<u>28.7</u>	<u>-1.2</u>	<u>-3.9%</u>
Total	<u>\$ 317.8</u>	<u>\$ 308.6</u>	<u>\$ 313.9</u>	<u>\$ 323.1</u>	<u>\$ 323.6</u>	<u>\$ 0.6</u>	<u>0.2%</u>

Numbers may not equal totals due to rounding.

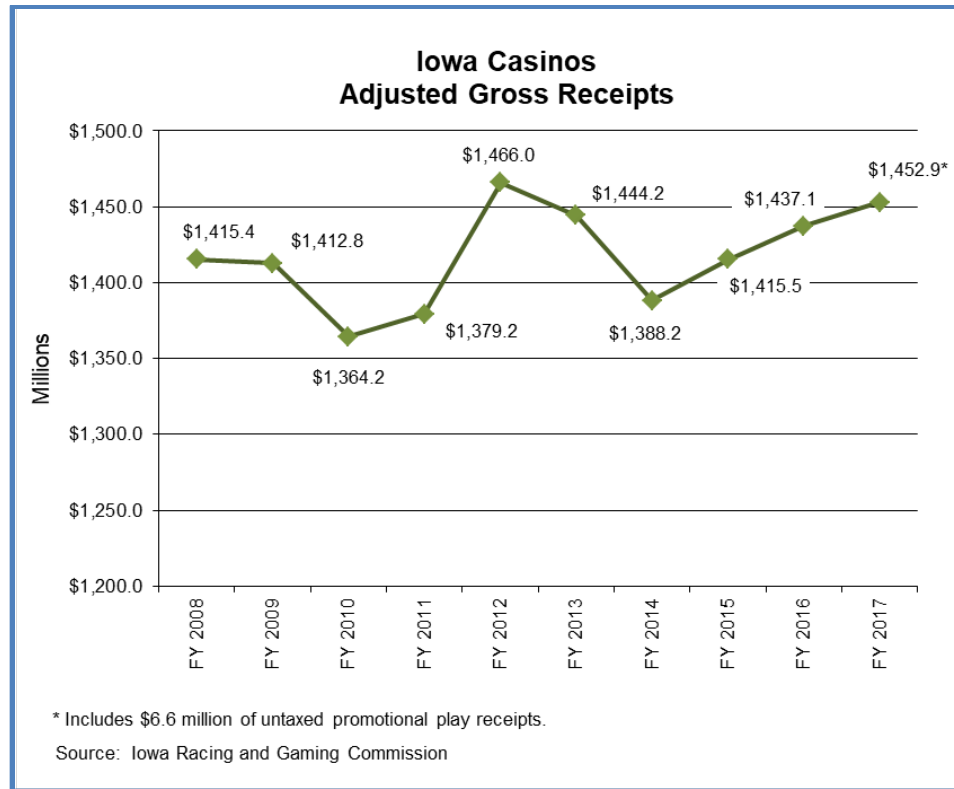
Distribution of FY 2017 Gaming Revenues



Iowa Casinos Admissions



Source: Iowa Racing and Gaming Commission



Iowa Code Section 8.57(5) — Distribution of Revenue

- **Revenue Bonds Debt Service Fund:** \$55.0 million is allocated to pay the debt service on bonds that were issued in July 2009 to fund a variety of infrastructure and environmental projects, as well as the I-JOBS Program.
- **Federal Subsidy Holdback Fund:** \$3.8 million is allocated to a new Revenue Bonds Federal Subsidy Holdback Fund to ensure that the debt service is covered in the event the federal subsidy for the Build America Bonds (part of the 2009 revenue bond issuance) is not received. Once the Treasurer of State receives the federal subsidy, the \$3.8 million is transferred to the Rebuild Iowa Infrastructure Fund (RIIF).
- **General Fund:** Prior to FY 2014, the Iowa Code directed a total of \$66.0 million to the General Fund in two separate installments: \$1.3 million after the Revenue Bonds Debt Service Fund and Federal Subsidy Holdback Fund receive the first \$58.8 million, and another \$64.7 million after the Vision Iowa Fund and School Infrastructure Fund receive allocations totaling \$20.0 million. For FY 2013, the General Assembly directed \$20.0 million of the General Fund allocation to the Technology Reinvestment Fund and \$6.0 million to the RIIF, leaving the remaining \$40.0 million in the General Fund.
- **Vision Iowa Fund:** \$15.0 million is allocated to pay the debt service on bonds issued for the Vision Iowa Program. The Program is used to assist communities in the development of major tourism facilities by providing grants, loans, forgivable loans, pledges, and guarantees.
- **School Infrastructure Fund:** \$5.0 million was allocated to pay the debt service on bonds issued for the School Infrastructure Program. This Program provided financial assistance to school districts for infrastructure projects. The last year of this allocation was FY 2014 as the School Infrastructure Bonds were defeased in November 2013.
- **Iowa Skilled Worker and Job Creation Fund:** Beginning in FY 2014, \$66.0 million is allocated to the Skilled Worker and Job Creation Fund in place of the \$66.0 million allocation previously made to the General Fund. The funds are appropriated annually by the General Assembly to fund a variety of job creation programs.
- **Technology Reinvestment Fund:** This Fund is used for costs associated with the acquisition of computer hardware and software, software development, telecommunications equipment, and maintenance and lease agreements associated with technology components. The General Assembly appropriates \$17.5 million annually from the General Fund to the Technology Reinvestment Fund, although multiple sources have been used over the past several years in lieu of the General Fund appropriation. For FY 2013, the General Assembly provided a one-time allocation of \$20.0 million to this Fund from the State wagering tax and reduced the allocation to the General Fund by a like amount.

- **Rebuild Iowa Infrastructure Fund (RIIF):** The RIIF receives the revenue remaining after the above allocations have been made. The RIIF is used for funding a variety of vertical infrastructure and environment programs and projects.

Other Revenue

- **Gaming Enforcement Revolving Fund:** The fees that are assessed to the casinos for enforcement purposes are deposited in this Fund. Enforcement of Iowa gaming laws is provided by the Division of Criminal Investigation in the Department of Public Safety.
- **Gaming Regulatory Revolving Fund:** The fees that are assessed to the casinos for the State's cost of regulation are deposited in this Fund. Regulation of the gaming industry is provided by the IRGC.
- **County Endowment Fund:** An amount equal to 0.8% of the AGR is allocated to this Fund. The funds are transferred equally to counties that do not have a licensed casino for funding charitable organizations.
- **Cultural Grants, Tourism, and RIIF:** The Iowa Code allocates an amount equal to 0.2% of the AGR for several purposes. Of the amount collected, the first \$520,000 is allocated to the Department of Cultural Affairs for cultural grants and operations. Of the amount remaining, one half is allocated to the Iowa Economic Development Authority for tourism marketing, and one half to the RIIF.
- **General Fund – Other Fees:** This includes annual license fees charged to manufacturers and distributors of gambling games and devices, and the annual license fees for casinos to operate gambling games.